

Message Text

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44

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SUBJECT: FINANCE MINISTER OPENS 1976/77 BUDGET DEBATE

REFERENCE: (A) KINGSTON 1523 (B) KINGSTON A-67 (C) KINGSTON 0922

(D) KINGSTON A-45

1. FINANCE MINISTER COORE OPENED THE 1976/77 BUDGET DEBATE BY REVIEWING 1975 ECONOMIC PERFORMANCE AND ANNOUNCING GOJ FISCAL POLICY. THIS YEAR'S BILLION DOLLAR BUDGET (REFS A AND B) WOULD BE FINANCED MAINLY FROM EXISTING REVENUE SOURCES RATHER THAN LOANS, AND THERE WOULD BE NO ADDITIONAL TAXATION. DETAILS FOLLOW BELOW. (ALL FIGURES IN J\$).

2. 1975 ECONOMIC PERFORMANCE

COORE CHARACTERIZED 1975 ECONOMIC PERFORMANCE AS "EXTREMELY DISAPPOINTING" AND ATTRIBUTED IT MAINLY TO DECLINES IN THE 3 MAIN ECONOMIC SECTORS OF BAUXITE/ALUMINA, TOURISM AND SUGAR. BAUXITE PRODUCTION FELL TO 11.1 MILLION TONS AND ALUMINA TO 2.2 MILLION TONS. TOURISM DECLINED BY 8.6 PERCENT AND SUGAR PRODUCTION FELL TO 354.8 MILLION TONS. AS A RESULT, 1975 HAD A NEGATIVE GROWTH OF 2 PERCENT. ONE OF THE FEW BRIGHT SPOTS WAS THAT

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INFLATION HAD FALLEN TO 15.7 PERCENT BETWEEN DEC. 1974 AND

DEC., 1975 COMPARED TO 20 PERCENT THE PREVIOUS YEAR. IN THE FIRST QUARTER OF 1976, THE RATE WAS 11.6 PERCENT.

3. 1976/77 EXPENDITURES

THE GOJ'S FISCAL STRATEGY IN VIEW OF THE ABOVE BACKGROUND WAS "CONSOLIDATION AND PREPARATION" TO PREVENT FURTHER ECONOMIC EROSION AND TO TAKE ADVANTAGE OF IMPROVED MARKET CONDITIONS. BUDGET HAD BEEN CONSTRUCTED ON 3 MAIN PRINCIPLES -- MAINTENANCE OF HUMAN RESOURCES DEVELOPMENT PROGRAMS, MAINTENANCE OF ADEQUATE PRODUCTIVE CAPACITY, AND CONTROL OF WAGE & SALARY INCREASES IN PUBLIC SECTOR. (PUBLIC SECTOR SALARIES ACCOUNTED FOR ABOUT 1/3RD OF LAST YEAR'S BUDGET.) DETAILS ON BUDGET EXPENDITURES REPORTED IN REFS A & B.

4. 1976/77 FINANCING

ESTIMATED TAX REVENUES WERE \$559.8 MILLION, NON-TAX REVENUES \$37.8 MILLION, AND TRANSFERS FROM CAPITAL DEVELOPMENT FUND (BAUXITE LEVY) WERE \$110 MILLION. SINCE RECURRENT EXPENDITURES WERE ESTIMATED AT \$718 MILLION, A\$33.5 MILLION SURPLUS WAS AVAILABLE FOR THE CAPITAL BUDGET. THE REMAINDER OF THE CAPITAL BUDGET WOULD BE FINANCED AS FOLLOWS: \$8.1 MILLION CAPITAL REVENUES, \$71.5 MILLION INSTITUTIONAL LOANS, \$117 MILLION LOCAL BORROWING, \$62.9 MILLION FOREIGN BORROWING, AND \$2 MILLION NATIONAL DEVELOPMENT BONDS FOR A TOTAL OF \$295 MILLION. THERE WOULD BE NO NEW ADDITIONAL TAXES AND THE GOJ HOPED TO INTRODUCE A PROGRAM OF TAX REFORM WHICH WOULD PROVIDE RELIEF TO THE TAX-PAYER LATER THIS YEAR. (NEW TAXES TO PROVIDE \$81 MILLION IN REVENUES WERE ANNOUNCED LAST MONTH -- REFS C AND D).

5. COMMENT: COORE'S LACKLUSTER 3 1/2 HOUR SPEECH SIMPLY REPEATED THE BAD NEWS HE HAD ALREADY ANNOUNCED LAST MONTH INCLUDING NEW TAXES (REFS C & D). AS MIGHT LIMITED OFFICIAL USE

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BE EXPECTED IN A PRE-ELECTION YEAR, A CARROT WAS OFFERED TO THE TAXPAYER IN THE FORM OF POSSIBLE TAX REFORMS. DETERIORATING 1975 ECONOMY WAS RESULT PRIMARILY OF "CIRCUMSTANCE BEYOND OUR CONTROL" AND ONLY PASSING MENTION WAS MADE OF CRIME, VIOLENCE, LABOR UNREST, LOW PRODUCTION, AND OTHER INTERNAL FACTORS. PNP WILL UNDOUBTEDLY CONTINUE TO CITE FOREIGN SCAPEGOATS AND EXTERNAL FACTORS AS RESPONSIBLE FOR INTERNAL ECONOMIC

PROBLEMS. OTHER MAIN SPEAKERS IN BUDGET DEBATE ARE FORMER PM
SHEARER MAY 4, OPPOSITION LEADER SEAGA MAY 11 AND
PM MANLEY MAY 12.
GERARD

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